

CS FOR HOUSE BILL NO. 206(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 4/10/14

Referred: Rules

Sponsor(s): REPRESENTATIVE LEDOUX

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to motor vehicle service contracts; exempting motor vehicle service**
2 **contracts from regulation as insurance; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 21.03.021(e) is amended to read:

5 (e) This title does not apply to a service contract offered, issued for delivery,
6 delivered, or renewed in this state. In this subsection, "service contract"

7 (1) means a service contract or agreement for a separate or additional
8 consideration, for a specific duration, to

9 (A) maintain, service, repair, or replace tangible personal
10 property, or to indemnify for repair, replacement, or maintenance, for an
11 operational or structural failure due to a defect in materials or workmanship or
12 normal wear and tear, with or without additional provision for incidental
13 indemnity payments when service, repair, or replacement is not reasonably or
14 commercially feasible;

(B) repair, replace, or maintain tangible personal property damaged as a result of power surges or as a result of accidental damage from the handling of property; or

(C) repair, replace, or maintain household consumer goods, household appliances, and household systems, including damage resulting from operational or structural failure due to a defect in materials or workmanship or normal wear and tear;

(2) does not include

(A) mechanical breakdown insurance;

(B) a contract that requires an indemnity payment **for each** [PER] incident, and the payment exceeds the purchase price of the property serviced [;

(C) A CONTRACT TO PROVIDE SERVICE ON A MOTOR VEHICLE SUBJECT TO REGISTRATION UNDER AS 28.10.011];

(C) [(D)] a home warranty; in this subparagraph, "home warranty" means a warranty that covers the entire home and does not include a warranty limited to a household system or appliance; or

(D) [(E)] portable electronics insurance as defined in AS 21.36.515.

* **Sec. 2.** AS 21.03.021 is amended by adding new subsections to read:

(h) A motor vehicle service contract shall be governed by AS 21.61 except as expressly provided in this title.

(i) A motor vehicle warranty, motor vehicle maintenance agreement, and a motor vehicle service contract offered for sale or sold to a person other than a consumer are not insurance and do not have to comply with any provision of this title. In this subsection, "motor vehicle maintenance agreement" means a contract of limited duration that provides for scheduled maintenance only and does not include an agreement for repair or replacement.

* **Sec. 3.** AS 21.27.010(h) is amended to read:

(h) This chapter does not apply to a person

(1) licensed to practice as an attorney at law while the person is acting

1 as an attorney at law; or

2 (2) who sells, solicits, or negotiates a

3 (A) service contract on a motor vehicle subject to registration
4 under AS 28.10.011; or

5 (B) home warranty; in this subparagraph, "home warranty" has
6 the meaning given in AS 21.03.021(e)(2)(C) [AS 21.03.021(e)(2)(D)].

7 * **Sec. 4.** AS 21.59.010(b) is amended to read:

8 (b) This chapter does not apply to a person issued a certificate of authority
9 under AS 21.09 or to a person issued a provider license under AS 21.61, but only
10 to the extent the person is offering a motor vehicle service contract in this state.

11 * **Sec. 5.** AS 21 is amended by adding a new chapter to read:

12 **Chapter 61. Motor Vehicle Service Contracts.**

13 **Sec. 21.61.010. Motor vehicle service contract.** (a) A provider may, for
14 separate or additional consideration, enter into a motor vehicle service contract for a
15 specific duration to

16 (1) maintain, service, repair, or replace a motor vehicle;

17 (2) indemnify for repair, replacement, or maintenance for an
18 operational or structural failure due to a defect in materials or workmanship or normal
19 wear and tear, with or without additional provisions for incidental payment of
20 indemnity for towing, rental, emergency road service, and road hazard protection;

21 (3) repair or replace tires or wheels on a motor vehicle damaged as a
22 result of coming into contact with road hazards;

23 (4) remove dents, dings, or creases on a motor vehicle that can be
24 repaired using the process of paintless dent removal without affecting the existing
25 paint finish and without replacing vehicle body panels or requiring sanding, bonding,
26 or painting;

27 (5) repair chips or cracks in or the replacement of motor vehicle
28 windshields as a result of damage caused by road hazards;

29 (6) repair damage to the interior components of a motor vehicle caused
30 by wear and tear not including the replacement of any part or component of a motor
31 vehicle's interior; or

1 (7) replace a motor vehicle key or key fob if the key or key fob
2 becomes inoperable or is lost or stolen.

3 (b) A motor vehicle service contract marketed, offered for sale, sold, issued,
4 made, or administered in this state must be written, printed, or typed in clear,
5 understandable language, in eight point or larger type, and must include the following:

6 (1) the name and address of the provider and an administrator if
7 different from the provider, the service contract seller, and the service contract holder
8 to the extent that the name of the service contract holder has been furnished by the
9 service contract holder; names and addresses of the parties are not required to be
10 preprinted on the motor vehicle service contract and may be added to the motor
11 vehicle service contract at the time of sale;

12 (2) the provider fee and the terms of the motor vehicle service contract;
13 the provider fee is not required to be preprinted on the service contract and may be
14 negotiated at the time of sale;

15 (3) the applicable deductible amount, if any;

16 (4) a description of the materials and services to be provided and
17 applicable limitations, exceptions, or exclusions, including whether the service
18 contract provides for or excludes consequential damages or preexisting conditions;

19 (5) a description of the obligations and duties of the service contract
20 holder;

21 (6) whether the use of nonoriginal manufacturer's parts is allowed;

22 (7) restrictions on the transferability of the service contract, if
23 applicable; and

24 (8) the terms for return and cancellation of the service contract.

25 **Sec. 21.61.020. Exemptions.** (a) The following are exempt from this chapter:

26 (1) a motor vehicle warranty;

27 (2) a motor vehicle maintenance agreement; in this paragraph, "motor
28 vehicle maintenance agreement" means a contract of limited duration that provides
29 only for scheduled maintenance to a motor vehicle and does not include an agreement
30 for repair or replacement;

31 (3) a motor vehicle service contract sold or offered for sale to a person

1 other than a consumer;

2 (4) a subscriber's contract, as defined by AS 21.59.900, between an
3 automobile service corporation holding a certificate of authority under to AS 21.59
4 and its subscribers that provides for towing, rental car benefits, or emergency road
5 service.

6 (b) A motor vehicle manufacturer's motor vehicle service contract that applies
7 to the motor vehicle manufacturer's product is exempt from AS 21.61.020 - 21.61.060
8 and AS 21.61.080 - 21.61.100.

9 (c) A motor vehicle manufacturer is exempt from AS 21.61.080 and the
10 license requirement in this title.

11 **Sec. 21.61.030. Motor vehicle service contract provider; duties.** (a) A
12 provider may not market, offer for sale, sell, issue, or make a motor vehicle service
13 contract in this state unless the provider provides to the motor vehicle service contract
14 holder

15 (1) a receipt for, or other written evidence of, the purchase of the
16 motor vehicle service contract; and

17 (2) a copy of the motor vehicle service contract within a reasonable
18 time after the date of purchase.

19 (b) A provider shall, on request, provide a prospective purchaser with a
20 sample copy of the provider's motor vehicle service contract showing terms and
21 conditions. A provider may comply with this subsection by providing the prospective
22 purchaser with a sample copy of the terms and conditions or by directing the
23 prospective purchaser to an Internet website containing a complete sample of the
24 terms and conditions of the proposed motor vehicle service contract.

25 (c) A motor vehicle service contract provider may not use in the provider's
26 name the word "insurance," "casualty," "surety," "mutual," or another word that
27 describes insurance, casualty, or surety business activity, or use a name deceptively
28 similar to the name or description of an insurance or surety corporation or another
29 provider; however, the name of a provider may include the word "guaranty."

30 (d) A provider or the provider's representative may not make, or permit or
31 cause to be made, a false or misleading statement or deliberately omit a material

1 statement that would be misleading if omitted in a motor vehicle service contract or
2 literature associated with the contract.

3 (e) A person may not require the purchase of a motor vehicle service contract
4 as a condition of a loan or a condition for the sale of a motor vehicle.

5 (f) A provider may appoint an administrator or other designee to administer all
6 or a part of a motor vehicle service contract if the provider and administrator have a
7 written agreement that specifically sets out the duties, functions, powers, authority,
8 and compensation of all parties to the agreement. A provider is liable for the acts of an
9 administrator appointed by the provider to assist with the administration of the
10 provider's motor vehicle service contracts to the extent the acts relate to the provider's
11 motor vehicle service contracts offered in or from this state.

12 (g) A provider or a third party acting on the provider's behalf may not make a
13 false, deceptive, or misleading statement in a solicitation, during telemarketing, or in
14 other advertising, including a statement regarding

15 (1) the provider's affiliation with a motor vehicle manufacturer;

16 (2) information in the provider's possession regarding a motor vehicle
17 owner's current motor vehicle manufacturer's original equipment warranty;

18 (3) the expiration of a motor vehicle owner's current motor vehicle
19 manufacturer's original equipment warranty; or

20 (4) a requirement that a motor vehicle owner register for a new motor
21 vehicle service contract with the provider to maintain coverage under the motor
22 vehicle owner's current motor vehicle service contract or manufacturer's original
23 equipment warranty.

24 **Sec. 21.61.040. Provider license; notice to licensee.** (a) A provider of a motor
25 vehicle service contract sold in this state shall file an application for a license with the
26 director on a form prescribed by the director and pay a licensing fee to the director in
27 an amount determined by the director. The application shall include the applicant's
28 name, full address, telephone number, a designated compliance officer, the
29 designation of a person in this state for service of process, and a list of all officers and
30 directors of the applicant. Additionally, an applicant shall file a copy of its basic
31 organizational documents, such as articles of incorporation, articles of organization,

articles of association, or a partnership agreement. An applicant shall also provide information required by the director to demonstrate compliance with the requirements of AS 21.61.080. The applicant shall declare, subject to penalty of denial, nonrenewal, suspension, or revocation of a license issued by the director, that the statements made in or in connection with the application are true, correct, and complete to the best of the applicant's knowledge and belief. The director may not issue a license except in compliance with this chapter and may not issue a license to a person, or to be exercised by a person, found by the director to be untrustworthy, incompetent, financially irresponsible, or who has not established to the satisfaction of the director that the person is qualified under this chapter. If the director denies an application for a license, the applicant has the right to request a hearing under AS 21.06.170 - 21.06.240.

(b) If a change occurs in the information submitted to the director in an application, a provider shall update the information in the application by sending the changes to the director in writing within 30 days after the change.

(c) A licensee shall report to the director in writing any administrative action taken against the licensee by a governmental agency of another state or by a governmental agency of another jurisdiction within 30 days after the final disposition of the action. A licensee shall submit to the director the final order and other relevant legal documents in the action. A licensee shall report to the director any criminal prosecution of the licensee within 30 days after the date of filing of the criminal complaint, indictment, or citation in the prosecution. The licensee shall submit to the director a copy of the criminal complaint, calendaring order, and other relevant legal documents in the prosecution.

(d) In addition to any other penalty provided by law, a failure to notify the director as required by this section is cause for denial, nonrenewal, suspension, or revocation of a license.

Sec. 21.61.050. Provider license renewal, lapse, reinstatement. (a) A provider may renew a license issued under this chapter biennially on a date set by the director if the licensee continues to be qualified under this chapter and, on or before the close of business of the renewal date, meets all renewal requirements established

1 by regulation and pays the renewal license fees set by the director. A licensee is
 2 responsible for knowing the date that a license will lapse and for renewing a license on
 3 or before that date. The director shall notify the licensee of the impending lapse 30
 4 days before the lapse date. The director may not renew a license except in compliance
 5 with this chapter and may not renew the license of a person, or to be exercised by a
 6 person, found by the director to be untrustworthy, incompetent, financially
 7 irresponsible, or who has not established to the satisfaction of the director that the
 8 person is qualified under this chapter.

9 (b) If a provider's license is not renewed on or before the lapse date set by the
 10 director, the license lapses. A licensee may not act as or represent to be a provider
 11 during the time a license has lapsed. The director may reinstate a lapsed license if the
 12 person continues to qualify for the license, and pays license renewal fees and a
 13 delayed renewal penalty. Reinstatement does not exempt a person from a penalty
 14 provided by law for transacting business while unlicensed. A license that has lapsed
 15 for two years or longer may not be renewed.

16 **Sec. 21.61.060. Administrator registration.** (a) A person may not act as an
 17 administrator of motor vehicle service contracts sold in this state unless the person
 18 registers with the director by providing the following information:

19 (1) the administrator's name, business address, and other information
 20 required by the director; and

21 (2) the names of the providers for whom the person acts as an
 22 administrator.

23 (b) A provider that is licensed under this chapter may administer its own
 24 motor vehicle service contract program without registering separately as an
 25 administrator. However, if a provider administers another provider's motor vehicle
 26 service contract program, the provider shall register as an administrator under this
 27 section.

28 **Sec. 21.61.070. Return and cancellation.** (a) A motor vehicle service contract
 29 must allow the service contract holder to cancel the motor vehicle service contract
 30 within 30 days after the date that the motor vehicle service contract was delivered to
 31 the service contract holder, within 10 days after the date of delivery if the motor

1 vehicle service contract is delivered to the service contract holder at the time of sale,
 2 or within a longer period, as set out in the motor vehicle service contract. If the service
 3 contract holder returns the motor vehicle service contract to the provider within the
 4 applicable time period and a claim has not been made under the motor vehicle service
 5 contract before the contract is returned to the provider, the motor vehicle service
 6 contract is void, and the provider shall refund the full amount of the provider fee to the
 7 service contract holder or credit the account of the service contract holder within 45
 8 days after the return of the contract to the provider. If the provider does not pay or
 9 credit a refund owed under this subsection within 45 days after a service contract
 10 holder returns a motor vehicle service contract, a penalty in the amount of 10 percent
 11 of the unearned provider fee paid by the service contract holder for each month the
 12 refund remains unpaid shall be added to the refund. The right to void the motor
 13 vehicle service contract provided in this subsection is not transferable and applies only
 14 to the original service contract holder for a contract under which a claim is not made
 15 before the contract is returned to the provider.

16 (b) After the time specified in (a) of this section, or if a claim has been made
 17 under the motor vehicle service contract within that time, a service contract holder
 18 may cancel the motor vehicle service contract, and the provider shall refund to or
 19 credit the account of the contract holder the prorated amount of the unearned provider
 20 fee, less any claims paid within 45 days after the return of the service contract to the
 21 provider. If the provider does not pay or credit a refund owed under this subsection
 22 within 45 days after a service contract holder returns a motor vehicle service contract,
 23 a penalty in the amount of 10 percent of the unearned provider fee paid by the service
 24 contract holder for each month the refund remains unpaid shall be added to the refund.
 25 A provider may charge a reasonable cancellation fee not to exceed 7.5 percent of the
 26 provider fee paid by the service contract holder.

27 (c) A motor vehicle service contract shall state the terms, restrictions or
 28 conditions governing cancellation of the service contract by the provider. A provider
 29 may only cancel a service contract for

30 (1) nonpayment of the provider fee;

31 (2) conviction of the service contract holder of a crime having as one

1 of its necessary elements an act increasing a hazard covered by the service contract;

2 (3) discovery of fraud or material misrepresentation made by the
3 service contract holder or a representative of the service contract holder in obtaining
4 the service contract or by the service contract holder in pursuing a claim under the
5 service contract;

6 (4) discovery of a grossly negligent act or omission by the service
7 contract holder that substantially increases the hazards covered by the service contract;

8 (5) physical changes in the property covered by the service contract
9 that result in the property becoming ineligible for coverage under the contract; or

10 (6) a substantial breach of duties by the service contract holder related
11 to the covered motor vehicle.

12 (d) The provider of the service contract shall mail a written notice to the
13 service contract holder at the last known address of the service contract holder
14 contained in the records of the provider at least five days before cancellation by the
15 provider. The notice shall state the effective date of the cancellation and the reason for
16 the cancellation. Prior notice is not required if the reason for cancellation is
17 nonpayment of the provider fee or fraud or a material misrepresentation by the service
18 contract holder in obtaining the service contract or by the service contract holder in
19 pursuing a claim under the service contract. If the provider cancels the service
20 contract, the provider shall refund or credit to the account of the contract holder the
21 prorated amount of the unearned provider fee, less any claims paid, within 45 days
22 after the return of the service contract to the provider. If the provider does not pay or
23 credit a refund owed under this subsection within 45 days after the provider cancels
24 the motor vehicle service contract, a penalty in the amount of 10 percent of the
25 unearned provider fee paid by the service contract holder for each month the refund
26 remains unpaid shall be added to the refund.

27 **Sec. 21.61.080. Provider's financial responsibility.** (a) To ensure the faithful
28 performance of a provider's obligations to its service contract holders, a provider shall
29 either

30 (1) obtain from an insurer or risk retention group authorized to transact
31 the business of insurance in the state insurance that either reimburses the provider for

obligations arising from a provider's motor vehicle service contract issued in the state or, if the provider fails to perform its obligations under a motor vehicle service contract issued in the state, pays to the service contract holder the provider's covered contractual obligations under the terms of the service contract on behalf of the provider; a provider insurer issuing a policy under this paragraph must satisfy one of the following:

(A) maintain surplus as to policyholders and paid-in capital of at least \$15,000,000 and annually file with the director copies of the provider's financial statements, its annual statement to the National Association of Insurance Commissioners, and the statement of actuarial opinion and opinion summary required by and filed in the provider's state of domicile; or

(B) maintain surplus as to policyholders and paid-in capital at least equal to \$10,000,000, but not more than \$15,000,000, and demonstrate to the satisfaction of the director that the company maintains a ratio of net written premiums, wherever written, to surplus as to policyholders and paid-in capital of not greater than 3 to 1 and annually files with the director copies of the provider's audited financial statements, its annual statement to the National Association of Insurance Commissioners, and the statement of actuarial opinion and opinion summary required by and filed in the provider's state of domicile; or

(2) maintain, solely or together with the parent company, a net worth or stockholders' equity of \$100,000,000 and, upon request by the director, provide the director with a copy of the provider's or the parent company's most recent annual report filed with the United States Securities and Exchange Commission within the last calendar year or, if the company does not file with the United States Securities and Exchange Commission, a copy of the company's audited financial statements, which show a net worth of the provider or its parent company of at least \$100,000,000; if the parent company's annual report or financial statements are filed to meet the provider's financial stability requirement, then the parent company shall agree to guarantee the obligations of the provider relating to motor vehicle service contracts sold by the provider in this state.

(b) A motor vehicle service contract provider that has obtained insurance under this section shall state the name and address of the provider and include a statement in substantially the following form: "Performance or payment of the obligations of the provider under this service contract are insured." If the provider has not obtained insurance under this section, the service contract shall contain a statement in substantially the following form: "Obligations of the provider under this service contract are not insured and are guaranteed only by the assets of the provider."

(c) If the provider fails to provide a covered service under the terms of the motor vehicle service contract within 30 days after the service contract holder notifies the provider of the claim, the service contract holder is entitled to apply directly to the insurer for payment of the provider's obligation.

Sec. 21.61.090. Records. (a) The provider shall keep accurate accounts, books, and records related to the sale of motor vehicle service contracts, including

- (1) copies of each type of motor vehicle service contract sold;
- (2) the name and address of each service contract holder to the extent that the name and address have been furnished by the service contract holder;
- (3) the locations where motor vehicle service contracts are marketed, sold, or offered for sale; and
- (4) claim files describing claims related to the motor vehicle service contracts.

(b) The provider shall retain all records required by this section for at least five years after a motor vehicle service contract has expired.

(c) Records required to be maintained under this section may be maintained electronically.

(d) A provider shall reply in writing within 10 working days to a records inquiry of the director. The director may inspect or request summary or detailed copies of records for examination by the division. Accounting and financial records inspected or examined under this section are confidential when in the possession of the division, but may be used by the director in a proceeding against the licensee.

(e) A provider discontinuing business in this state shall maintain records as required by this section until the provider's obligations to all service contract holders

1 in this state have been discharged.

2 **Sec. 21.61.100. Examination, investigations, enforcement, and penalties.**

3 (a) The director may conduct investigations or examinations of a provider,
4 administrator, insurer, or other person to enforce the provisions of this chapter and to
5 protect service contract holders in this state in accordance with AS 21.06.

6 (b) The director may take necessary or appropriate action to enforce this title,
7 to the extent applicable, and protect service contract holders in this state, including the
8 issuance of a cease and desist order, if the director determines that a person has
9 violated a provision of this title, to the extent applicable to the person. A person
10 aggrieved by the cease and desist order may request a hearing under AS 21.06.170 -
11 21.06.240.

12 (c) Without prior hearing, the director may order summary suspension of the
13 license of a provider if the director finds that protection of the public requires
14 emergency action and incorporates this finding in an order. The suspension is effective
15 on the date specified in the order or upon mailing by first class mail to the provider's
16 business address on record with the division, whichever is later. If the provider
17 requests a hearing, the director shall conduct a hearing on the suspension within a
18 reasonable time but not later than 20 days after the effective date of the summary
19 suspension unless the person whose license is suspended requests a later date. At the
20 hearing, the director shall determine whether the suspension should be continued or
21 withdrawn, and, if proper notice is given, may determine whether the license should
22 be revoked. The director shall issue a decision within 30 days after the conclusion of
23 the hearing. A suspension or revocation under this section must be based on one or
24 more grounds in AS 21.27.410 or a finding that one or more of the circumstances in
25 (d) of this section continue to exist. The summary suspension continues until the
26 decision is issued. AS 21.06.190 and AS 44.64.030 do not apply to this subsection.

27 (d) The director shall order summary suspension of the license of a provider if
28 one or more of the following circumstances exist:

- 29 (1) the provider is insolvent or impaired;
30 (2) a proceeding for bankruptcy, receivership, conservatorship, or
31 rehabilitation, or another delinquency proceeding regarding the provider has been

1 commenced in any state or by a governmental agency of another jurisdiction;

2 (3) the provider is in an unsound condition, or is in a condition or
3 using methods or practices that render its further sale of service contracts in the state
4 injurious to service contract holders or the public.

5 (e) A person found to have violated this chapter may be assessed a civil
6 penalty in an amount determined by the director not to exceed \$2,500 for each
7 violation or, if the director determines that the person knowingly violated the
8 provisions of this chapter, \$5,000 for each violation. Penalties for violations may not
9 exceed \$50,000 in the aggregate for violations of a similar nature, except where the
10 person knowingly violated the provisions of this chapter. In this subsection,

11 (1) "knowingly" has the meaning given in AS 11.81.900;

12 (2) "violation of a similar nature" means a violation consisting of the
13 same or a similar course of conduct, action, or practice as another violation,
14 notwithstanding the number of times the act, conduct, or practice occurred.

15 (f) A service contract holder may bring an action in a court of competent
16 jurisdiction for damages, injunctive relief, restitution, or other appropriate relief for a
17 threatened or existing violation relating to the motor vehicle service contract.

18 (g) The director may adopt regulations necessary for the implementation and
19 enforcement of this chapter.

20 **Sec. 21.61.900. Definitions.** In this chapter,

21 (1) "administrator" means a person who is responsible for the
22 administration of a motor vehicle service contract or the motor vehicle service contract
23 plan;

24 (2) "motor vehicle" means a motor vehicle subject to registration under
25 AS 28.10.011;

26 (3) "motor vehicle manufacturer" means a person that

27 (A) manufactures or produces motor vehicles and sells motor
28 vehicles under the person's own name or label;

29 (B) is a subsidiary of a person who manufactures or produces
30 motor vehicles;

31 (C) is a corporation that owns 100 percent of the person that

1 manufactures motor vehicles;

2 (D) sells motor vehicles under the trade name or label of a
3 person that manufactures or produces motor vehicles;

4 (E) manufactures and sells motor vehicles under the trade name
5 or label of another person that manufactures or produces motor vehicles; or

6 (F) under a written contract, licenses the use of its trade name
7 or label to another person that manufactures motor vehicles and sells motor
8 vehicles under the licensor's trade name or label;

9 (4) "nonoriginal manufacturer's parts" means replacement parts or
10 "after market" parts not made for or by the original manufacturer of the motor vehicle;

11 (5) "provider" means a person that is contractually obligated to provide
12 motor vehicle services to a service contract holder under the terms of a motor vehicle
13 service contract;

14 (6) "provider fee" means the consideration paid for a motor vehicle
15 service contract;

16 (7) "road hazard" means obstacles in the road, including potholes,
17 rocks, wood debris, metal parts, glass, plastic, curbs, or composite scraps;

18 (8) "service contract holder" means a person who is the purchaser or
19 holder of a motor vehicle service contract;

20 (9) "warranty" means a warranty made solely by the manufacturer,
21 importer, or seller of a motor vehicle without consideration, that is not negotiated or
22 separated from the sale of the motor vehicle and is incidental to the sale of the motor
23 vehicle, and that guarantees indemnity for defective parts, mechanical or electrical
24 breakdown, and labor or other remedial measures, such as repair or replacement of the
25 motor vehicle or repetition of services.

26 * **Sec. 6.** The uncoded law of the State of Alaska is amended by adding a new section to
27 read:

28 TRANSITION. AS 21.61.030(c), enacted by sec. 5 of this Act, does not apply to a
29 person using words prohibited by that subsection in the person's name before the effective
30 date of this Act. However, a person using the prohibited language in the person's name shall
31 include in all motor vehicle service contracts a statement in substantially the following form:

- 1 "This agreement is not an insurance contract."
- 2 * **Sec. 7.** This Act takes effect January 1, 2015.